

Comptroller's Directive 2-06
Attachment 9
Enterprise Fund Financial Statement Template

Purpose This attachment is used to obtain the financial statement and footnote information for enterprise funds. This attachment is similar to prior year's Attachment 9.

Applicable agencies This attachment is applicable to all agencies with enterprise funds specified on pages 10-12 in the **Preparation of GAAP Basis (GASBS No. 34) Financial Statement Templates (Attachments 8-12)** section of this Directive.

Due date **August 17, 2006**

Submission requirements **After downloading the file, rename the spreadsheet file using the agency number followed by the enterprise fund name followed by Att9.** For example, the Department of General Service's (agency 194) Consolidated Laboratories fund, should rename its Attachment 9.xls file as 194ConsolidatedLabsAtt9.xls.

Submit the excel spreadsheet electronically to finrept@doa.virginia.gov.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of the excel attachment.

Attachment revisions If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the **Revision Control Log Tab** in the attachment excel file.**

Enter the revision date, applicable excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

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**General
information**

1. The templates include numerous features, including automated comments and validation messages, to assist in the preparation and review of financial data.
2. Cash, cash equivalent, and investment footnotes (tabs 1A, 1B, & 1C) are designed to obtain information for [**GASBS No. 40**](#). Refer to [**Attachment 20, Cash, Cash Equivalents, and Investments at June 30**](#) for guidance on completing these tabs.
3. Ensure that all footnote tabs applicable to the data entered on the statements are completed. All funds must complete [**Tab 6 – Commitments Tab**](#), [**Tab 7 – Miscellaneous Tab**](#), and [**Tab 14 – Fund Conversion Tab**](#). [**Tab 3 – Capital Assets Tab**](#) has new parts 3.1 to 3.3 for [**GASBS No. 42**](#). Refer to instructions below and [**GASBS No. 42**](#) for guidance. [**Tab 13 – Cash Flow Analysis Tab**](#) is new for fiscal year 2006 and any differences must be explained.
4. Refer to the [**GASBS No. 33 – Nonexchange Transactions Overview**](#), [**GASBS No. 34 – Financial Reporting Model Overview**](#), and [**Additional Guidance for Preparation of GAAP Basis \(GASBS No. 34\) Fund Financial Statement Templates**](#) sections of this Directive for additional preparation guidance.
5. Refer to instructions below for proper recordation of activities related to Energy Performance Contracts.
6. Each template will require a fluctuation analysis of prior year and current year balances per the templates. DOA has included fiscal 2005 amounts in this template for comparison purposes. Each agency should review the Directive section entitled [**Additional Guidelines for Preparation of GAAP Basis \(GASBS No. 34\) Fund Financial Statement Templates, Fluctuation Analysis Guidelines and Materiality Scopes**](#) to determine the dollar and percentage variance that requires an explanation.
7. Provide explanations for fluctuation analysis in a Microsoft Word document and submit with the template.
8. Contact those listed in the [**Questions**](#) section of this Directive if additional guidance is required.

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**Energy
Performance
Contracts**

The Treasury Board administers the lease financing program for energy efficiency projects. These projects are intended to reduce energy consumption and demand or allow for the use of an alternative energy source. In some cases these projects are funded through escrow financing. A bank account is established for the agency to purchase equipment or pay for other project expenses over a certain period of time. This type of funding should be reported as installment purchase obligations. Below are example entries of how to record activity related to the escrow funding of these projects. (**Note:** In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

Cash Installment Purchase Obligations	Record escrow funds to be used by the agency for the energy efficiency projects.
Operating Expenses Cash	Record payments to contractors from the escrow funds.
Capital Assets Operating Expenses	Reclassify expenses that meet capitalization threshold.
Operating Expense - Interest Expense Installment Purchase Obligations Cash	Payment on installment purchase obligation
Cash Nonoperating Revenue – Investment Income	Record investment earnings on escrow funds
Capital Assets (for capitalizable equipment) Operating Expenses (for noncapitalizable equipment) Accounts Payable	Agency identifies payable vouchers at June 30.

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GASBS No. 42
Requirement

GASBS No. 42 provides reporting guidance for the impairment of capital assets and **all** insurance recoveries.

Overview of
Requirements

Financial Statement Template Reporting:

- **Recognize Impairment Loss: Capital assets permanently impaired during fiscal year 2006:** The capital asset must be written down by the impairment loss amount. Any insurance recoveries recognized during the year for the impaired capital asset must be netted with the impairment loss. On the financial statement template, these losses should be reported as operating expenses – other, special item, or extraordinary item. When converting to the government-wide Statement of Activities, the amount reported as operating expenses – other would be reported as program expenses.
- **Restate Beginning Net Assets: Capital assets permanently impaired in prior years and not written down:** Beginning net assets should be restated for capital assets as of year-end that were permanently impaired in prior years and had not been written down by the impairment loss amount.
- **Insurance Recoveries:** For any insurance recoveries that are for prior year capital asset impairments and / or all other reasons (i.e. theft, embezzlement of cash, etc.), report these recoveries on the financial statement template as nonoperating revenue – other or an extraordinary item. When converting to the government-wide Statement of Activities, the amounts reported as nonoperating revenue – other would be reported as program revenue.

Footnote Disclosures:

- **Impairment Losses:** The footnotes must include a general description, the amount and the financial statement template line item.
- **Idle Permanently and / or Temporarily Impaired Capital Assets:** The carrying amount of temporarily and / or permanently impaired capital assets that are idle as of year-end must be disclosed.
- **All Insurance Recoveries:** The footnotes must include the amount and financial statement template line item for **all** insurance recoveries (not just for impaired capital assets).

Other Considerations:

- For any capital assets that do not meet the impairment test, the remaining useful life and salvage value may need to be reevaluated and changed on a prospective basis.

Refer to **GASBS No. 42** for additional guidance. Also, see section titled Appendix 1: **GASBS No. 42** Example Entries in these instructions.

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Tab 3, Part 3.1 This part is to identify potential impairments as follows:

A) **Possible Impairment of Capital Assets:** As of June 30, 2006, did this fund have an event* or change in circumstances* that may indicate an impairment of a capital asset as described in **GASBS No. 42**? If yes, provide a description, month / year it took place, the possible impaired capital assets, and then go to B. If no, go to Part 3.3.

Note*: This must be a prominent event or circumstance that is conspicuous or known to the agency. It is expected to have been discussed by the board, management, or media. Common indicators of impairment include the following:

- Physical damage (i.e. fire, flood)
- Enactment or approval of laws / regulations or other changes in environmental factors
- Technological development or evidence of obsolescence
- Change in the manner or expected duration of a capital asset
- Construction stoppages (i.e. lack of funding)

B) **Impairment Test:** If yes to A, is the decline in service utility of the capital asset significant **and** unexpected? If yes, go to C. If no, go to 3.3.

Note: If this test indicates an impairment has not occurred, the estimated useful life and salvage value may need to be reevaluated and changed. This should be accounted for on a prospective basis.

C) **Permanent Impairment:** If yes to A and B, is the impairment considered permanent? If yes, go to D. If no, go to 3.2.

Note: Generally, an impairment should be considered permanent; however, in some cases it may be considered temporary. If it is considered temporary, the capital asset should not be written down. See **GASBS No. 42** for additional guidance.

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Tab 3, Part 3.1,
continued

D) Financial Statement Template Reporting & Footnote Disclosure: If yes to A, B, and C, has the impairment loss and related insurance recoveries (if applicable) been properly reported on the FST in accordance with **GASBS No. 42**? If **no**, provide an explanation. If **yes**, provide the impairment loss, insurance recoveries, and FST line item this activity is reported on.

Note: For **impaired capital assets that will continue to be used by the agency**, the impairment loss that should be written off should be measured by one of the following methods: restoration cost approach, service units approach, or deflated depreciation replacement cost approach. For **impaired capital assets that will no longer be used by the agency or capital assets impaired from construction stoppage**, they should be reported at the lower of carrying value or fair value.

Loss on capital assets that became permanently impaired during fiscal year 2006 must be reported on the financial statement template as operating expenses – other, extraordinary item, or special items. If the impairment loss took place in prior years and not previously recognized, beginning net assets should be restated. Use professional judgment to determine the appropriate FST line item.

Also, per **GASBS No. 42** paragraph 21, if insurance recoveries are in the same year as the impairment loss, the impairment loss should be reported net of the associated insurance recovery. Also, per **GASBS No. 42** paragraph 17 - footnote 6, this guidance also applies to insured impairments that result in an accounting gain.

Tab 3, Part 3.2,
Idle Capital
Assets –
Temporarily or
Permanently
Impaired

Any permanently and / or temporarily impaired capital assets that are idle as of year-end must be disclosed. Provide the carrying amount of any permanently and / or temporarily impaired capital assets as of year-end.

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Tab 3, Part 3.3,
Other
Insurance
Recoveries

For any insurance recoveries that are not reported in Part 3.1 D, provide the amount and financial statement template line item. Also, provide a description.

Note: This includes current year insurance recoveries for capital assets impaired in prior years. It also includes all other insurance recoveries. (i.e. recoveries for embezzlement of cash, theft). Insurance recoveries should be reported on the financial statement template as nonoperating revenue, and / or extraordinary item. On the conversion to the government-wide Statement of Activities, the nonoperating revenue – other should be reported as program revenues. Use professional judgment to determine the appropriate FST line item.

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Appendix 1: GASBS No. 42 – Example Entries

The examples below are from a building that was impaired because of a fire. The following examples do not include restoration or replacement costs which should be reported as a separate transaction from the impairment loss and associated insurance recovery.

	Impairment loss (prior year)	Impairment loss (current year)	Insurance Recovery (current year)	Net Gain/(Loss) on impairment (current year)
Example 1		(200,000)	150,000	(50,000)
Example 2		(200,000)	250,000	50,000
Example 3		(200,000)	0	(200,000)
Example 4	(200,000)	0	150,000	(200,000)

Below are example FST entries for the current year from the above examples

Example 1:

Cash	150,000	
Extraordinary item (net loss) (see Note A)	50,000	
Accumulated depreciation-buildings		200,000

Example 2:

Cash	250,000	
Extraordinary item (net gain) (see Note B)		50,000
Accumulated depreciation-buildings		200,000

Example 3:

Extraordinary item (see Note A)	200,000	
Accumulated depreciation-buildings		200,000

Example 4:

Beginning Net Assets	200,000	
Cash	150,000	
Accumulated depreciation-buildings		200,000
Extraordinary item (Note C)		150,000

Note: For example 4, since the insurance recovery was not recognized in the same year as the impairment loss, the insurance recovery is not netted with the impairment loss for the current year.

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Appendix 1: GASBS No. 42 – Example Entries, continued

Note A: Depending on the circumstances of the impairment, the other FST line items that this loss could be reported on are as follows:

- Operating Expenses - Other
- Special Item

Note B: Depending on the circumstances of the impairment, the other FST line items that this gain could be reported on are as follows:

- Nonoperating Revenues - Other
- Special Item

Note C: Depending on the circumstances of the impairment, the other FST line items that this insurance recovery could be reported on are as follows:

- Nonoperating Revenues - Other

As a reminder, per **GASBS No. 34** the definitions of extraordinary items and special items are as follows.

- Extraordinary item: Transactions or events that are **both** unusual in nature and infrequent in occurrence.
- Special item: Transactions or other events **within the control of management** that are either unusual in nature **or** infrequent in occurrence.

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Appendix 1: GASBS No. 42 – Example Entries

The following provides guidance on how to report the example entries on the TAB 3:

Example 1: Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (before net with insurance recovery)	Insurance Recovery \$ included in the net impairment loss/gain calculation (see Note a)
Operating Expenses – Other		
Special Item		
Extraordinary Item	200,000	150,000
Nonoperating Revenue – Other (see Note b)		
Net Assets, beginning (see Note c)		Note d

Example 2: Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (before net with insurance recovery)	Insurance Recovery \$ included in the net impairment loss/gain calculation (see Note a)
Operating Expenses – Other		
Special Item		
Extraordinary Item	200,000	250,000
Nonoperating Revenue – Other (see Note b)		
Net Assets, beginning (see Note c)		Note d

Example 3: Record on TAB 3 Part 3.1D as follows:

Financial Statement Template line item:	Impairment loss \$ (before net with insurance recovery)	Insurance Recovery \$ included in the net impairment loss/gain calculation (see Note a)
Operating Expenses – Other		
Special Item		
Extraordinary Item	200,000	
Nonoperating Revenue – Other (see Note b)		
Net Assets, beginning (see Note c)		Note d

Example 4: Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (before net with insurance recovery)	Insurance Recovery \$ included in the net impairment loss/gain calculation (see Note a)
Operating Expenses – Other		
Special Item		
Extraordinary Item		
Nonoperating Revenue – Other (see Note b)		
Net Assets, beginning (see Note c)	200,000	Note d

Example 4: Record on TAB 3 Part 3.3

Financial Statement Template line item	Other Insurance Recoveries \$
Nonoperating Revenue – Other	
Extraordinary Item	150,000